

ELLIS COUNTY EXTENSION COUNCIL

Financial Statements With Independent Auditors' Report

For the Year Ended December 31, 2009

ELLIS COUNTY EXTENSION COUNCIL
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For the Year Ended December 31, 2009

TABLE OF CONTENTS

Independent Auditors' Report	1
Statement 1 – Summary of Cash Receipts, Expenditures, and Unencumbered Cash	2
Statement 2 – Summary of Expenditures – Actual and Budget	3
Statement 3 – Statement of Cash Receipts and Expenditures – Actual and Budget	
Governmental Fund Category	
General Fund	
General Fund	4
Notes to Financial Statements	5



Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ellis County Extension Council
Hays, Kansas

We have audited the accompanying financial statements of **Ellis County Extension Council**, as of and for the year ended December 31, 2009, as listed in the table of contents. These financial statements are the responsibility of **Ellis County Extension Council's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards and the audit guide require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, **Ellis County Extension Council** has prepared these financial statements using accounting practices prescribed or permitted by the State of Kansas, whose practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Ellis County Extension Council**, as of December 31, 2009, or the changes in its financial position for the year then ended. Further, **Ellis County Extension Council** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the fund of **Ellis County Extension Council**, as of December 31, 2009, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Adams, Brown, Beran & Ball

ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

December 14, 2010

ELLIS COUNTY EXTENSION COUNCIL
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2009

Fund Governmental Fund Category	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 150,132	-	329,116	330,455	148,793	1,104	149,897
			Composition of Cash	Checking Account		\$	17,583
				Savings Accounts			97,705
				Certificate of Deposit			34,609
			Total Reporting Entity			\$	149,897

The notes to the financial statements are an integral part of this statement.

ELLIS COUNTY EXTENSION COUNCIL
Summary of Expenditures - Actual and Budget
For the Year Ended December 31, 2009

Fund	Certified Budget	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Fund Category					
General Fund					
General Fund	\$ 362,625	-	362,625	330,455	(32,170)

The notes to the financial statements are an integral part of this statement.

ELLIS COUNTY EXTENSION COUNCIL
General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended December 31, 2009
(With Comparative Actual Totals for the Prior Year Ended December 31, 2008)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Cash Receipts				
Appropriations	\$ 239,203	255,099	255,099	-
Kansas State University Research and Extension Reimbursements	60,346	61,100	60,526	574
Charges for Services	10,868	10,508	40,000	(29,492)
Interest on Investments	9,738	2,369	-	2,369
Miscellaneous	3,312	40	-	40
Total Cash Receipts	<u>323,467</u>	<u>329,116</u>	<u>355,625</u>	<u>(26,509)</u>
Expenditures				
Salaries	28,967	30,591	25,775	4,816
Kansas State University Research and Extension Reimbursements	214,431	245,350	245,350	-
Professional Services	7,537	5,650	10,000	(4,350)
Educational Services	12,470	13,303	40,000	(26,697)
Subsistence	1,870	4,470	3,000	1,470
Supplies	9,994	8,922	14,000	(5,078)
Telephone	2,954	2,155	3,000	(845)
Travel	9,170	9,226	9,500	(274)
Capital Outlay	6,105	5,008	8,000	(2,992)
Miscellaneous	4,202	5,780	4,000	1,780
Total Expenditures	<u>297,700</u>	<u>330,455</u>	<u>362,625</u>	<u>(32,170)</u>
Cash Receipts Over (Under) Expenditures	25,767	(1,339)		
Unencumbered Cash - Beginning	<u>124,365</u>	<u>150,132</u>		
Unencumbered Cash - Ending	<u>\$ 150,132</u>	<u>148,793</u>		

The notes to the financial statements are an integral part of this statement.

ELLIS COUNTY EXTENSION COUNCIL

Notes to Financial Statements

December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Ellis County Extension Council has established a uniform system of accounting maintained to reflect compliance with the applicable laws of the State of Kansas. The accompanying financial statements are presented to conform to the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The following is a summary of such significant policies.

Reporting Entity

The Extension Council is a municipal corporation governed by an elected nine-member board. The financial statements of the Extension Council consist of all the funds of the Extension Council that are considered to be controlled by or dependent on the Extension Council. Control or dependence is determined on the basis of budget adoption, taxing authority, funding, and appointment of the respective governing board. The Extension Council has no such entities under its control.

Use of Estimates

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the reported amount of unencumbered cash balances and accounts payable during the reporting period. Actual results could differ from these estimates.

Basis of Presentation – Fund Accounting

The accounts of the Extension Council are organized and operated on the basis of funds. In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The following category of funds comprises the financial activities of the Extension Council for the year ended December 31, 2009.

Governmental Fund Category

General Fund – to account for and report all financial resources not accounted for and reported in another fund.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Extension Council has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Extension Council to use the statutory basis of accounting.

ELLIS COUNTY EXTENSION COUNCIL
Notes to Financial Statements
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Departure From Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the Extension Council are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

Budgetary Information

The Extension Council is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the board. The internal budget is the source of the budget amounts listed on Statement 2 and Statement 3.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the Extension Council for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Deposits and Investments

The Extension Council follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the summary of cash receipts, expenditures, and unencumbered cash.

K.S.A. 9-1401 establishes the depositories which may be used by the Extension Council. The statute requires banks eligible to hold the Extension Council's funds have a main or branch bank in the county in which the Extension Council is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Extension Council has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Extension Council's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Extension Council has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Extension Council may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Extension Council's deposits may not be returned to it. State statutes require the Extension Council's deposits in financial institutions to be

ELLIS COUNTY EXTENSION COUNCIL
Notes to Financial Statements
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Extension Council does not use "peak periods". All deposits were legally secured at December 31, 2009.

At December 31, 2009, the Extension Council's carrying amount of deposits was \$149,897 and the bank balance was \$167,331. The bank balance was held by three banks resulting in a concentration of credit risk. Of the bank balance, \$167,331 was covered by federal depository insurance.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Extension Council will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Extension Council had no investments at December 31, 2009.

Compensated Absences

Vacation and sick leave is granted to all full-time employees at the rate of eight hours per month for each category. Both vacation and sick leave time can be accumulated endlessly as the Extension Council currently does not have a formal compensated absences policy in effect. An employee terminating employment with the Extension Council in good standing shall be paid for accumulated vacation leave no matter the length of employment. If termination of employment is in other than good standing, employees with six months of employment or more shall be paid for accumulated vacation leave. Sick leave benefits will not be paid upon termination. Accrued vacation at December 31, 2009 was \$1,104, as reflected in the financial statements. Accrued sick leave at December 31, 2009 was \$2,425.

Defined Benefit Pension Plan

The Extension Council does not participate in the Kansas Public Employees Retirement System or any other type of defined benefit pension plan.

Reimbursements

The Extension Council records reimbursable expenditures (or expenses) in the general fund and records reimbursements as revenue to the fund.

NOTE 2 – LITIGATION

Ellis County Extension Council is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Extension Council.

NOTE 3 – RISK MANAGEMENT

Ellis County Extension Council carries commercial insurance for risks of loss, including property, general liability, auto, directors and officers liability, workers compensation, and fidelity bond coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

ELLIS COUNTY EXTENSION COUNCIL
Notes to Financial Statements
December 31, 2009

NOTE 4 – COMPARATIVE DATA

Comparative data for the prior year has been presented in Statement 3 in the accompanying financial statements in order to provide an understanding of changes in **Ellis County Extension Council's** cash and unencumbered cash balances. However, complete comparative data (presentation of prior year totals in Statement 1) has not been presented since their inclusion would make the statement unduly complex and difficult to read.